



Ezingoleni Municipality  
Annual Financial Statements  
for the year ended 30 June 2013

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Municipal Manager's Certificate

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I am responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note15 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Accounting Officer**

# Ezingoleni Municipality

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## Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
<b>Assets</b>			
Non-Current Assets			
Property, plant and equipment	2	71 463 561	70 063 539
Intangible assets	3	120 275	180 351
		<b>71 583 836</b>	<b>70 243 890</b>
Current Assets			
Consumer debtors	4	344 743	300 113
Other debtors	5	796 215	229 827
Vat receivable	6	2 291 878	2 465 540
Cash and cash equivalents	7	27 862 281	19 758 974
		<b>31 295 117</b>	<b>22 754 454</b>
<b>Total Assets</b>		<b>102 878 953</b>	<b>92 998 344</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		95 282 442	84 481 038
<b>Liabilities</b>			
Non-Current Liabilities			
Post employment medical liability	9	1 031 000	598 000
Employee benefit obligation	8	434 000	219 000
Finance lease obligation	10	-	30 479
		<b>1 465 000</b>	<b>847 479</b>
Current Liabilities			
Trade and other payables	11	3 918 482	3 079 220
Government grants and subsidies	12	2 186 091	4 492 416
Current portion of finance lease obligation	10	26 938	98 191
		<b>6 131 511</b>	<b>7 669 827</b>
<b>Total Liabilities</b>		<b>7 596 511</b>	<b>8 517 306</b>
<b>Total Equity and Liabilities</b>		<b>102 878 953</b>	<b>92 998 344</b>

## Ezingoleni Municipality

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### Statement of Comprehensive Income

Figures in Rand	Note(s)	2013	2012
Revenue		47 748 080	44 829 603
Other income		170 246	373 322
Operating expenses		(36 139 612)	(29 332 346)
<b>Operating profit</b>		<b>11 778 714</b>	<b>15 870 579</b>
<b>Profit for the year</b>		<b>11 778 714</b>	<b>15 870 579</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>11 778 714</b>	<b>15 870 579</b>

## Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
<b>Balance at 01 July 2011</b>	<b>51 091 469</b>	<b>51 091 469</b>
Changes in equity		
Total comprehensive income for the year	15 870 579	15 870 579
Opening balance as previously reported	65 007 428	65 007 428
Adjustments		
Prior year adjustments (note 26)	17 518 990	17 518 990
<b>Balance at 01 July 2012 as restated</b>	<b>83 503 728</b>	<b>83 503 728</b>
Changes in equity		
Total comprehensive income for the year	11 778 714	11 778 714
Total changes	11 778 714	11 778 714
<b>Balance at 30 June 2013</b>	<b>95 282 442</b>	<b>95 282 442</b>

Note(s)

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement Of Cash Flows

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
Cash receipts from customers		47 137 062	45 209 826
Cash paid to suppliers and employees		(26 681 682)	(30 246 651)
Cash generated from operations	20	20 455 380	14 963 175
Interest income		1 019 807	1 069 947
Interest paid		(14 908)	(31 889)
<b>Net cash from operating activities</b>		<b>21 460 279</b>	<b>16 001 233</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(12 741 733)	(14 481 746)
Movements in call investment deposits		(566 388)	-
<b>Net cash from investing activities</b>		<b>(13 308 121)</b>	<b>(14 481 746)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(30 479)	(103 668)
<b>Total cash movement for the year</b>		<b>8 121 679</b>	<b>1 415 819</b>
Cash at the beginning of the year		19 758 974	18 343 155
<b>Total cash at end of the year</b>	7	<b>27 880 653</b>	<b>19 758 974</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2013 financial period is set out in Directive 5 and its supplements issued by the Accounting Standards Board (ASB) on 11 March 2009 and on 20 January 2012.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. The figures in the statements have been rounded to the nearest Rand. A summary of the significant accounting policies, which have been consistently applied, to all the years presented are set out below.

The Accounting Framework of the municipality is as follows (Listed below are only the relevant GRAP standards):

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 20 Related Party Disclosures
- GRAP 21 Impairment of Non cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 102 Intangible Assets
- GRAP 104 Financial Instruments

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### 1.2 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 1.3 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.4 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Buildings	5 - 30 years
Infrastructure	5 - 50 years
Machinery and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	4 - 6 years
Office equipment	3 - 6 years
Computer equipment	3 - 5 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

### 1.5 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

If the municipality is unable to make a reliable estimate of the useful life of an intangible assets, the life will be presumed to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years



# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.6 Financial instruments

A financial asset is any asset that is a cash or contractual right to receive cash. The entity has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

- Accounts receivables (Trade debtors)
- Other receivables
- Bank balances and cash

In accordance with GRAP 104, all the financial assets of the entity are classified into the category Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The entity has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- Creditors
- Short term loans

In accordance with GRAP 104, all the financial liabilities of the entity are classified into the category financial liabilities at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

### 1.8 Impairment of assets

The municipality assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests goodwill, with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.8 Impairment of assets (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

### 1.9 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

### 1.10 Provisions

Provisions are recognised when:

- the municipality has an obligation at the reporting period date as a result of a past event;
- it is probable that the municipality will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingencies are disclosed in notes 22 and 23. .

### 1.11 Government grants

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

### 1.12 Value Added Tax

The municipality accounts for value added tax on the payments basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No. 89 of 1991).

### 1.13 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

### 1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.17 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand 2013 2012

### 2. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	47 330 350	(7 849 332)	39 481 018	41 176 096	(5 000 177)	36 175 919
Infrastructure roads	52 326 995	(22 690 599)	29 636 396	46 284 950	(14 890 814)	31 394 136
Machinery and equipment	1 998 555	(1 415 631)	582 924	1 947 259	(1 138 736)	808 523
Motor vehicles	1 409 871	(961 230)	448 641	1 408 871	(855 219)	553 652
Furniture and equipment	1 944 063	(1 010 921)	933 142	1 503 672	(793 264)	710 408
Computer equipment	906 842	(525 402)	381 440	822 041	(401 140)	420 901
<b>Total</b>	<b>105 916 676</b>	<b>(34 453 115)</b>	<b>71 463 561</b>	<b>93 142 889</b>	<b>(23 079 350)</b>	<b>70 063 539</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	36 175 919	6 154 253	(2 135 560)	(713 594)	39 481 018
Infrastructure roads	31 394 136	6 042 045	(5 690 981)	(2 108 804)	29 636 396
Machinery and equipment	808 523	19 244	(243 775)	(1 068)	582 924
Motor vehicles	553 652	1 000	(106 011)	-	448 641
Furniture and equipment	710 408	440 391	(216 719)	(938)	933 142
Computer equipment	420 901	84 800	(124 261)	-	381 440
	<b>70 063 539</b>	<b>12 741 733</b>	<b>(8 517 307)</b>	<b>(2 824 404)</b>	<b>71 463 561</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Impairment loss	Total
Buildings	26 215 952	11 537 304	(1 570 131)	(7 206)	36 175 919
Infrastructure roads	34 103 138	2 721 046	(4 889 288)	(540 760)	31 394 136
Machinery and equipment	1 003 636	17 258	(209 514)	(2 857)	808 523
Motor vehicles	680 300	-	(126 648)	-	553 652
Furniture and equipment	829 175	110 134	(226 271)	(2 630)	710 408
Computer equipment	470 254	96 004	(132 463)	(12 894)	420 901
	<b>63 302 455</b>	<b>14 481 746</b>	<b>(7 154 315)</b>	<b>(566 347)</b>	<b>70 063 539</b>

See Annexure B for more information.

### 3. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	524 016	(403 741)	120 275	524 016	(343 665)	180 351

#### Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	180 351	(60 076)	120 275

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 3. Intangible assets (continued)

#### Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	270 838	(90 487)	180 351

See Annexure B for more information.

### 4. Consumer debtors

Rates	528 467	426 215
Less: Provision for bad debts	(183 724)	(126 102)
	<b>344 743</b>	<b>300 113</b>

#### Ageing

Current (0 – 30 days)	51 226	47 382
31 - 60 days	47 017	2 182
61 - 90 days	44 987	24 436
91 - 120 days	17 789	22 873
Greater than 120 days	367 448	329 342
	<b>528 467</b>	<b>426 215</b>

### 5. Other debtors

Sundry debtors	281 505	220 653
Accrued income	54 869	43 434
Deposit	-	2 000
Conditional grants overspent	514 473	-
	850 847	266 087
Less: Provision for bad debts	(54 632)	(36 260)
	<b>796 215</b>	<b>229 827</b>

### 6. Vat receivable

Vat	2 291 878	2 465 540
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### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 000	1 000
Bank balances	24 123 622	9 166 652
Short-term deposits	3 737 659	10 591 322
	<b>27 862 281</b>	<b>19 758 974</b>

#### Primary Account

##### First National Bank Account - Port Shepstone Branch

##### Account Number 62024943153 : Call account

Bank statement balance at the beginning of the year	8 938 467	1 909 641
Bank statement balance at the end of the year	24 123 622	8 938 467
Cashbook balance at the beginning of the year	9 166 652	1 909 641
Cashbook balance at the end of the year	24 123 622	9 166 652

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>7. Cash and cash equivalents (continued)</b>		
<b>Call Investment Deposits</b>		
Conditional Grant	2 613 974	8 940 485
Lottery Grant	1 091 124	1 061 068
MSIG Grant	32 561	589 769
	<b>3 737 659</b>	<b>10 591 322</b>
<b>Conditional Grant</b>		
<b>First National Bank Account - Port Shepstone Branch</b>		
<b>Account Number 62200828533 : Call Account</b>		
Bank statement balance at the beginning of the year	8 172 511	4 275 771
Bank statement balance at the end of the year	2 613 974	8 172 511
Cashbook balance at the beginning of the year	8 940 485	4 275 771
Cashbook balance at the end of the year	2 613 974	8 940 485
<b>Lottery Grant</b>		
<b>First National Bank Account - Port Shepstone Branch</b>		
<b>Account Number 62200828955 : Call Account</b>		
Bank statement balance at the beginning of the year	435 516	423 818
Bank statement balance at the end of the year	1 091 124	435 516
Cashbook balance at the beginning of the year	1 061 068	423 818
Cashbook balance at the end of the year	1 091 124	1 061 068
<b>MSIG Grant</b>		
<b>First National Bank Account - Port Shepstone Branch</b>		
<b>Account Number 62231035537 : Money Market</b>		
Bank statement balance at the beginning of the year	795 660	749 091
Bank statement balance at the end of the year	32 561	795 660
Cashbook balance at the beginning of the year	589 769	749 091
Cashbook balance at the end of the year	32 561	589 769

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 8. Employee benefit obligation

#### Long service awards

Non-current liabilities	434 000	219 000
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A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises of a certain number of additional vacation leave days. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2013 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2013 by One Pangaea Financial (2012 - PricewaterhouseCoopers Actuarial and Insurance Management Solutions). The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

The future cost for ensuing year is estimated to be R37 000 and the interest cost for the next year is estimated to be R18 000 (2012: R79 000 and R44 000 respectively).

The principal actuarial assumptions used were as follows:

Discount rate per annum	7.25 %	8.00 %
Inflation rate	6.25 %	5.50 %
Salary increase rate	7.15 %	7.50 %
Normal retirement age	63	63
Proportion continuing membership at retirement	95 %	95 %
Proportion of retiring members who are married	95 %	95 %
Mortality during employment	SA 85-90 light	SA 85-90 light
Percentage of in-service members withdrawing before retirement:		
Age 20 - 24	12.0 %	13.3 %
Age 25 - 29	6.6 %	13.0 %
Age 30 - 34	5.1 %	11.0 %
Age 35 - 39	3.6 %	8.0 %
Age 40 - 44	2.6 %	6.0 %
Age 45 - 49	1.8 %	4.0 %
Age 50 - 54	1.1 %	2.0 %
Age 55 - 59	0.0 %	0.0 %
Age 60 -	0.0 %	0.0 %

<b>Present value of the obligation</b>	<b>434 000</b>	<b>219 000</b>
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Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	219 000	436 000
Current service cost	37 000	79 000
Interest cost	18 000	44 000
Actuarial (Gain) / Loss	167 000	(313 000)
Benefits payments by Municipality	(7 000)	(27 000)
	<b>434 000</b>	<b>219 000</b>

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	37 000	79 000
Interest cost	18 000	44 000
Expected return on assets	-	-
Actuarial (Gain) / Loss	167 000	(313 000)
	<b>222 000</b>	<b>(190 000)</b>

#### Disclosure in terms of par. 120A(p) of IAS 19

Defined benefit obligation	434 000	219 000
Experience adjustments on plan liabilities	(20 000)	65 000

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012	
<b>Disclosure in terms of par. 120A(q) of IAS 19</b>			
Expected benefits to be paid during the next financial year	15 000	-	
	<b>15 000</b>	<b>-</b>	
<b>Salary inflation sensitivity</b>			
	<b>1% decrease</b>	<b>Base (7.50%)</b>	<b>1% increase</b>
Defined benefit obligation	391 000	434 000	484 000
Service cost	90 000	101 000	114 000

### Post retirement pension plan

The municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The findings are extracts from the interim actuarial valuation at 31 March 2012 released 12 October 2012.

### Superannuation Fund

The last valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was 96% funded.
- There was a deficit in respect of active members which is being met by the surcharge of 9.5% of pensionable salaries, this surcharge is payable for 8 years wef 1 July 2012.
- The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.

The statutory actuarial valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was fully funded.
- There was a deficit in respect of active members and it is recommended that the surcharge of 7% be increased to 9.5% of pensionable salaries and that the repayment period be set at 8 years at which time the deficit is expected to be fully funded.
- The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.

### Retirement Fund

The interim valuation carried out on the Retirement Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.
- The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.
- In order to fund the deficit, the surcharge should be increased from 17% to say, 17.5% from 1 July 2012 and the required period be extended from 5 years to 8 years.

### Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2012 revealed that the fund was in a sound financial position.



# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>9. Post Employment Medical Liability</b>		
<b>Post retirement medical subsidy</b>		
<b>employee benefits</b>		
Non-current liabilities	1 031 000	598 000

The principal actuarial assumptions used were as follows:

Discount rate per annum (D)	8.25 %	7.25 %
Consumer price inflation (C)	6.00 %	6.25 %
Health care cost inflation (H)	6.75 %	6.75 %
Salary inflation (S)	6.90 %	7.15 %
Net discount rate $((1+D)/(1+H)-1)$	1.14 %	0.47 %
Normal retirement age	63	63
Fully accrued age	63	63
Early retirement age	55	55
Employment age used for past service period	Actual service entry ages	Actual service entry ages
Age difference between spouses:		
Active employees	3 years	3 years
Pensioners	Actual ages used	Actual ages used
Proportion married:		
Active employees	Assumed proportion married	Assumed proportion married
Pensioners	Actual marital status used	Actual marital status used
Mortality:		
Active employees	SA85-90 (Normal)	SA85-90 (Normal)
Pensioners	PA (90)-2	PA (90)-2

The following proportion married assumption in the previous and current valuation periods:

Age	Males	Females
20	5 %	5 %
25	25 %	25 %
30	55 %	55 %
35	78 %	78 %
40	84 %	84 %
45	85 %	85 %
50	86 %	86 %
55	88 %	88 %
60+	92 %	92 %

### Disclosure in terms of Paragraph 120A(P)&(Q) of IAS19

Par. 120A(p) of IAS 19 requires the disclosure of the following amounts for the current annual period and previous four annual periods:

- The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and
- The experience adjustments arising on the plan liabilities and plan assets.

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>Par. 120A(p)</b>	<b>30 June 2011</b>	<b>30 June 2012</b>
Defined benefit obligation	455 000	598 000
Experience adjustments on plan liabilities	-	273 000

Par. 120A(q) of IAS 19 requires the disclosure of the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid during the annual period beginning after the reporting period.

The figure in the table below should be based on the pensioner contributions as at 30 June 2013, as provided by the employer, for the next financial year, increased with expected healthcare cost inflation from 1 January 2014. Since Ezingoleni Municipality is yet to subsidise pensioners, the benefits/contributions expected over the following year are RNil.

<b>Par. 120A(q)</b>	<b>30 June 2014</b>
Employer contributions to be paid during the next financial year	-

### Sensitivity Analysis

#### Health care cost inflation

The valuation basis assumes that the health care cost inflation rate (which manifests itself as the annual increase to the total contribution subsidised by the employer) will be 0.47% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

Health care cost inflation	1% decrease	Valuation basis	1% increase
Employer's accrued liability	562	1 031	1 362
Employer's service cost	97	175	237
Employer's interest cost	41	75	99

The table below shows the impact of a change in the mortality assumption from PA(90) with a two year adjustment to PA(90) with a three year adjustment.

Mortality	Valuation basis PA (90) -2	PA (90) -3*
Employer's accrued liability	1 031	1 068
Employer's service cost	175	181
Employer's interest cost	75	77

\*PA(90)-3 (PA(90) with a three-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual three years younger than that beneficiary, ie lighter mortality implying that the individual lives longer than expected in the valuation basis.

Therefore, the above change in the mortality assumption would result in a 3.6% increase in the accrued liability.

### Restatement in the financial statements

The post retirement medical subsidy employee benefits was not disclosed in prior years. The effect of the disclosure is as follows:

#### Statement of Financial Position

Previously reported balance	-	-
Adjustment	-	599 000
Restated balance	-	599 000

#### Statement of Financial Performance

Previously reported balance	-	-
Adjustment	-	143 000
Restated value	-	143 000

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>10. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	27 775	111 100
- in second to fifth year inclusive	-	33 317
	27 775	144 417
less: future finance charges	(837)	(15 747)
<b>Present value of minimum lease payments</b>	<b>26 938</b>	<b>128 670</b>
<b>Present value of minimum lease payments due</b>		
- within one year	26 938	96 191
- in second to fifth year inclusive	-	32 479
	<b>26 938</b>	<b>128 670</b>

The finance lease liability is secured against vehicles with a cost price of R799 734. The leases bear interest at rates varying between prime less 1% to 18.50% per annum and are repayable over periods between 16 months and 39 months..

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to Annexure A.

### 11. Trade and other payables

Trade payables	370 888	165 474
Retentions	2 478 306	1 941 127
Accrued leave pay	343 924	228 164
Other creditors	240 192	323 796
Councillors' UIF	160 123	160 123
Accrual for staff bonus	325 049	260 536
	<b>3 918 482</b>	<b>3 079 220</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>12. Government grants and subsidies</b>		
Equitable Share	26 036 000	21 581 000
Municipal Systems Improvement Grant (MSIG)	1 238 807	1 548 962
Municipal Infrastructure Grant	14 547 553	14 543 540
Financial Management Grant	1 644 102	1 322 570
Provincialisation of libraries	237 216	236 591
Library Grant - Cyber Cadet	95 634	92 579
Small Town Rehabilitation Grant	8 946	1 416 172
LED Strategy Grant	-	276 852
Integrated National Electrification Programme	1 589 168	1 548 576
National Lottery Grant	-	188 306
Integrated Development Plan Grant	229 037	-
	<b>45 626 463</b>	<b>42 755 148</b>
<b>Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	26 036 000	21 581 000
Conditions met – transferred to revenue	(26 036 000)	(21 581 000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. R1 429 000 was withheld by National Treasury during the year.		
<b>Municipal Systems Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	274 391	1 033 353
Current year receipts	800 000	790 000
Conditions met – transferred to revenue	(1 238 807)	(1 548 962)
Amounts overspent transferred to current assets (See note 5)	164 416	-
Conditions still to be met - transferred to liabilities	-	<b>274 391</b>
This grant is used for the improvement of systems. No funds were withheld.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	701 496	4 120 035
Current year receipts	13 496 000	11 125 000
Conditions met – transferred to revenue	(14 547 553)	(14 543 539)
Amounts overspent transferred to current assets ((See note 5)	350 057	-
Conditions still to be met - transferred to liabilities	-	<b>701 496</b>
This grant was used for infrastructure programmes. No funds were withheld.		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	150 682	(26 749)
Current year receipts	1 500 000	1 500 000
Conditions met – transferred to revenue	(1 644 102)	(1 322 569)
Conditions still to be met - transferred to liabilities	<b>6 580</b>	<b>150 682</b>
This grant was used for financial management including improving the finance management system, purchasing computers for finance staff and capacity building for finance, for example the employment of interns. No funds were withheld.		
<b>Provincialisation of Libraries Grant</b>		
Balance unspent at beginning of year	(3 251)	-
Current year receipts	245 000	233 340
Conditions met – transferred to revenue	(237 216)	(236 591)
Conditions still to be met - transferred to liabilities	<b>4 533</b>	<b>(3 251)</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>Library Grant - Cyber Cadet</b>		
Balance unspent at beginning of year	72 500	69 079
Current year receipts	100 800	96 000
Conditions met – transferred to revenue	(95 634)	(92 579)
<b>Conditions still to be met - transferred to liabilities</b>	<b>77 666</b>	<b>72 500</b>

This grant was used for the operational staff for the library such as the Cyber Cadet.

<b>Small Town Rehabilitation Grant</b>		
Balance unspent at beginning of year	449 828	5 177 900
Funds returned	-	(3 311 900)
Conditions met – transferred to revenue	(8 946)	(1 416 172)
<b>Conditions still to be met - transferred to liabilities</b>	<b>440 882</b>	<b>449 828</b>

This grant was used to rehabilitate the town including the construction of a trade centre, a community park, landscaping and the installation of street lights. No funds were withheld.

<b>LED Strategy Grant</b>		
Balance unspent at beginning of year	104 722	381 574
Current year receipts	-	-
Conditions met – transferred to revenue	-	(276 852)
<b>Conditions still to be met - transferred to liabilities</b>	<b>104 722</b>	<b>104 722</b>

This grant was used to review Local Economic Development Strategy and align it with the district strategy. No funds were withheld.

<b>Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	1 716 305	1 126 239
Current year receipts	-	2 138 642
Conditions met – transferred to revenue	(1 716 305)	(1 548 576)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>1 716 305</b>

This grant was used to connect electricity to households with no connections. No funds were withheld.

<b>National Lottery Grant</b>		
Balance unspent at beginning of year	1 025 745	1 214 051
Current year receipts	-	-
Conditions met – transferred to revenue	-	(188 306)
<b>Conditions still to be met - transferred to liabilities</b>	<b>1 025 745</b>	<b>1 025 745</b>

<b>Infrastructure Grant</b>		
Current year receipts	525 000	-
Conditions met – transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>525 000</b>	<b>-</b>

This grant was used for the construction of sportsfield. No funds were withheld

<b>Integrated Development Plan Grant</b>		
Current year receipts	230 000	-
Conditions met – transferred to revenue	(229 037)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>963</b>	<b>-</b>

This grant was used to community participation in Integrated Development Plan. No funds were withheld

## Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>Summary of unspent conditional grants and receipts</b>		
Municipal Systems Improvement Grant (MSIG)	-	274 389
Municipal Infrastructure Grant	-	701 496
Financial Management Grant	6 580	150 682
Provincialisation of Libraries Grant	4 533	(3 251)
Library Grant - Cyber Cadet	77 666	72 500
Small Town Rehabilitation Grant	440 882	449 828
LED Strategy Grant	104 722	104 722
Integrated National Electrification Programme	-	1 716 305
National Lottery Grant	1 025 745	1 025 745
Infrastructure Grant	525 000	-
Integrated Development Plan Grant	963	-
	<b>2 186 091</b>	<b>4 492 416</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>13. Property rates</b>		
<b>Actual</b>		
Agriculture properties used for agricultural purposes	253 989	261 078
Agricultural properties used for other business and commercial purposes	150 846	283 464
Industrial properties	248 933	75 207
Public service infrastructure	50	49
Institution	114 701	52 622
	<b>768 519</b>	<b>672 420</b>
<b>Property Valuations</b>		
Agriculture properties used for agricultural purposes	341 725 000	341 725 000
Agricultural properties used for other business and commercial purposes	18 544 000	18 544 000
Industrial properties	4 920 000	4 920 000
Public service infrastructure	36 000	36 000
Institution	55 087 000	55 087 000
	<b>420 312 000</b>	<b>420 312 000</b>
<b>Non rateable</b>		
Non rateable	-	-
<b>Last general valuation</b>		
The last general valuation came into effect on:	01/07/2012	01/07/2011
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2008		
Interim valuations are processed on an annual basis to take into account changes in individual values due to consolidations and subdivisions		
<b>Assessment rates: Cents in the rand on market valuation as follows:</b>		
Agriculture properties used for agriculture purposes	0.0810c/R	0.0810c/R
Agricultural properties used for other business and commercial	1.6203c/R	1.6203c/R
Industrial properties	1.6203c/R	1.6203c/R
Public service infrastructure	0.2025c/R	0.2025c/R
Institution	0.4050c/R	0.4050c/R
Mining	1.6203c/R	1.6203c/R
Special purpose	0.4050c/R	0.4050c/R
<b>Phasing in discount:</b>		
Agricultural property		- %
Industrial properties		- %
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2013 financial year):		
On an annual basis, and the final dates of payment being the last working day of the month from August 2012 to June 2013.		
Interest is levied on outstanding rates per annum at:	18 %	18 %

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 14. Sundry income

**Included in other income is the following:**

Sale of tender documents	15 263	57 000
SCP Refund Department of Transport	253 680	155 200
Photocopies	5 144	10 459
LG SETA	51 864	50 828
Other Income	2 566	34 108
	<b>328 517</b>	<b>307 595</b>

### 15. Remuneration of councillors

Mayor	628 652	597 535
Councillors	2 184 950	1 847 112
	<b>2 813 602</b>	<b>2 444 647</b>

#### In-kind Benefits

The Mayor is full-time and has an office and PA at the cost of the council.



# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>16. Employee related costs</b>		
Employee related costs - salaries and wages	6 882 940	5 397 731
Contributions to UIF, medical and pension benefits	1 139 523	979 740
Travel, motor car, accommodation, subsistence & other allowances	886 240	940 832
Housing benefits and allowances	364 728	260 082
Leave	29 370	92 912
Bonuses	323 504	271 329
Backpay	86 487	112 774
Contributions to long service award	55 000	123 000
Post employment medical liability	433 000	143 000
	<b>10 200 792</b>	<b>8 321 400</b>
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	513 599	464 860
Car allowance	129 600	97 200
Housing allowance	103 200	77 400
Backpay	14 916	17 511
Leave pay	-	65 196
Other benefits	47 586	33 556
	<b>808 901</b>	<b>755 723</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual remuneration	409 200	306 288
Car allowance	108 000	108 000
Housing allowance	84 000	84 000
Backpay	8 747	12 854
Other benefits	64 518	37 487
	<b>674 465</b>	<b>548 629</b>
<b>Director: Technical Services</b>		
Annual remuneration	472 333	182 088
Car allowance	69 000	20 000
Housing allowance	84 000	22 500
Backpay	8 747	-
Other benefits	18 890	7 395
	<b>652 970</b>	<b>231 983</b>
<b>Director: Corporate Services</b>		
Annual remuneration	378 868	308 872
Car allowance	165 000	120 000
Housing allowance	75 000	60 000
Backpay	8 747	12 854
Other benefits	33 793	64 645
	<b>661 408</b>	<b>566 371</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>17. Operating lease</b>		
The future minimum lease payments payable under operating leases for the actual liability are as follows:		
No later than one year	-	19 093
Operating lease payments payable relate to the hiring of office equipment and cellphones.		
Ezingoleni Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of leases as set out in paragraphs 55 to 60.		
<b>18. Other expenses</b>		
Promotions	53 566	109 397
Arts and culture	65 628	128 204
Sport and recreation	283 593	443 706
Free Basic Services - Electricity	116 804	110 598
Free Basic Services - Paraffin	212 435	249 842
Local Economic Development	522 822	140 452
Tourism	58 240	42 000
Public Participation	156 322	106 123
Water Connection For The Elderly	40 630	98 195
Gravelling of Access Road	723 053	436 139
Disaster Management	32 246	33 275
Team Building	-	9 500
Employee Assistant Programme	4 000	1 600
	<b>2 269 339</b>	<b>1 909 031</b>
<b>19. Sundry expenses</b>		
Medical examination	1 333	3 171
Sports field	73 020	7 121
Vat recovery fees	296 751	180 113
Farm workers	8 900	-
Audit Committee remuneration	52 716	-
	<b>432 720</b>	<b>190 405</b>
<b>20. Cash generated from operations</b>		
Profit before taxation	11 770 694	15 870 579
<b>Adjustments for:</b>		
Depreciation and amortisation	11 341 711	7 720 662
Interest received	(1 019 807)	(1 069 947)
Interest paid	14 910	31 889
Impairment loss	75 994	-
Movements in post employment benefits	876 220	-
Movements in retirement benefit assets and liabilities	215 000	(217 000)
Movements in unspent conditional grants and receipts	(2 306 325)	(8 603 066)
<b>Changes in working capital:</b>		
Vat receivable	(741 255)	409 000
Consumer debtors	(44 630)	(154 556)
Other debtors	(566 388)	651 149
Trade and other payables	839 256	324 465
	<b>20 455 380</b>	<b>14 963 175</b>

## Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>21. Capital commitments</b>		
Commitments in respect of capital expenditure:		
<b>Approved and contracted for</b>		
Infrastructure	3 015 627	2 973 206
Community	443 437	6 111 421
	<b>3 459 064</b>	<b>9 084 627</b>
<b>Approved but not yet contracted for</b>		
Infrastructure	14 909 000	4 644 600
	<b>14 909 000</b>	<b>4 644 600</b>
<b>Total</b>	<b>18 368 064</b>	<b>13 729 227</b>
<b>This expenditure will be financed as follows:</b>		
Grants	18 368 064	13 729 227

### 22. Contingent assets

No contingent assets were identified for the year ended 30 June 2013 nor for the year ended 30 June 2012.

### 23. Contingent liabilities

No contingent liabilities were identified for the year ended 30 June 2013 nor for the year ended 30 June 2012.

### 24. In-kind donations and assistance

The municipality did not receive any In-kind donations and assistance during the year under review.

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>25. Additional disclosure in terms of the Municipal Finance Management Act</b>		
<b>PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions and municipality's contributions	2 103 356	1 798 846
Amount paid - current year	(2 103 356)	(1 798 846)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>Pension fund and medical aid deductions</b>		
Opening balance	-	-
Current year deductions	1 952 028	1 361 214
Amount paid - current year	(1 952 028)	(1 361 214)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>Audit fees</b>		
Opening balance	(72 135)	90 640
Current year's audit fee	612 394	470 898
Amount paid - current year	(512 320)	(633 673)
<b>Balance unpaid (included in creditors)</b>	<b>27 939</b>	<b>(72 135)</b>
<b>Contributions</b>		
Opening balance	-	-
Council subscriptions	114 774	85 699
Amount paid - current year	(114 774)	(85 699)
	-	-
<b>Vat</b>		
Vat received for the year	2 587 917	2 186 560
Vat paid for the year	-	-

All Vat returns have been submitted by the due date during the reporting period.

### Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding.

### Material Losses

No material losses were incurred.

## 26. Prior year adjustments

During the year the municipality prepared its fixed asset register in compliance with GRAP. Pursuant to that exercise, the municipality identified certain assets that were not in the asset register. Backlog depreciation was then calculated on those newly identified assets.

### Arising from

Newly identified assets	-	26 015 071
Correction of backlog depreciation	-	(8 041 081)
Prior year actuarial liability	-	(455 000)
	<b>-</b>	<b>17 518 990</b>

## 27. Comparative figures

Certain comparative figures have been restated in order to present more meaningful and appropriate comparisons.

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>28. Unauthorised expenditure</b>		
<b>Reconciliation of unauthorised expenditure:</b>		
Opening balance	3 137 051	2 452 931
Remuneration of councillors	7 602	-
Depreciation, amortisation and impairment	7 932 711	1 104 654
Income less than budget	44 707	-
Over expenditure on grant income	-	3 241
Over expenditure over budget	-	615 614
Overspending on on approved capital budget	-	1 413 542
Approved / condoned by council	(11 122 071)	(2 452 931)
	-	<b>3 137 051</b>

### 2013

The unauthorised expenditure relate to expenditure incurred that was not budgeted for. The depreciation relates to newly identified assets in the fixed register upon which backlog depreciation was calculated. All amounts have been condoned by council.

### 2012

The unauthorised expenditure relate to expenditure incurred that was not budgeted for. The depreciation relates to newly identified assets in the fixed register upon which backlog depreciation was calculated.

## 29. Fruitless and wasteful expenditure

No fruitless or wasteful expenditure was incurred during 2013 (2012: Nil)

## 30. Irregular expenditure

To the best of management's knowledge instances of note indicating that irregular expenditure was incurred during the year under review were not revealed.

### Reconciliation of irregular expenditure

Opening balance	-	-
Irregular expenditure for the current year	-	271 606
	-	<b>271 606</b>

### Section 36 Deviations

Opening balance	-	-
Three quotations not obtained	-	176 328
	-	<b>176 328</b>

The current year's irregular expenditure comprises of R0 , 2012 - R73 406 in respect of amounts where 3 quotations.

## 31. Events after the reporting period

The annual financial statements, which were reviewed by its Audit Committee, were authorised for issue by management on 29 August 2013.

No significant events or events having financial implications were identified after the reporting date that requires disclosure in the financial statements for the year ended 30 June 2013.

## Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
<b>Revenue</b>			
Government grants and subsidies	12	45 626 463	42 755 149
Property rates	13	768 519	672 420
Rental of facilities and equipment		4 774	24 492
Other income	14	328 517	307 595
Interest		1 019 807	1 069 947
		<b>47 748 080</b>	<b>44 829 603</b>
<b>Other income</b>			
Gain on fair valuing of assets		330 246	33 322
Actuarial gain (loss)		(160 000)	340 000
		<b>170 246</b>	<b>373 322</b>
<b>Expenses (Refer to page 30)</b>		<b>(36 139 612)</b>	<b>(29 332 346)</b>
<b>Profit for the year</b>		<b>11 778 714</b>	<b>15 870 579</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
<b>Operating expenses</b>			
Advertising		126 344	135 704
Bank charges		44 157	39 601
Bursary		8 830	26 836
Cleaning		191 141	157 150
Councillors' remuneration	15	2 813 602	2 444 647
Debt impairment		-	23 402
Depreciation, amortisation and impairments	2	11 417 705	7 720 662
Electricity and water		174 339	227 510
Employee costs	16	10 200 792	8 321 400
FMG Grant and audit fees		1 461 033	1 179 077
Grant expenditure		2 720 128	3 514 927
Grant in Aid		298 920	362 661
Indigent support		170 412	206 548
Insurance		177 782	165 510
Interest paid		14 910	31 889
Lease rentals on operating lease		42 340	35 061
Legal expenses		3 933	28 059
Other expenses	18	2 269 339	1 909 031
Postage		892	2 130
Printing and stationery		97 609	88 904
Protective and safety clothing		29 920	3 000
Refreshments and year end function		80 720	89 061
Rent		2 794	2 910
Repairs and maintenance		359 973	278 523
Security		269 257	234 328
Seminars and workshops		197 851	270 955
Special programmes		438 715	294 631
Subscriptions		435 382	28 397
Sundry expenses	19	432 720	190 405
Telephone and fax		425 805	421 288
Training		413 150	98 537
Transport costs		435 035	473 742
Waste management		384 082	325 860
		<b>36 139 612</b>	<b>29 332 346</b>

## Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Appendix A: Schedule Of External Loans

Description	Loan Number	Interest Rate	Date Repayable/ Repaid	Balance at 30/06/2012	Received during the year	Redeemed or written off during this period	Balance at 30/06/2013
<b>Lease Liability</b>							
Toyota Financial Services	86112645861	18.50%	01/09/2013	138 875	-	111 100	27 775
				<b>138 875</b>	<b>-</b>	<b>111 100</b>	<b>27 775</b>



## Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Appendix B: Analysis of Property, plant and equipment

Description	Cost / Revaluation					Accumulated depreciation					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Disposals	Closing Balance	
<b>Land</b>											
Developed land	-	-	-	-	-	-	-	-	-	-	-
<b>Buildings</b>											
Buildings	31 618 166	-	11 802 411	-	43 420 577	(5 000 177)	(2 135 560)	(713 594)	-	(7 849 332)	35 571 245
Assets under construction - Buildings	9 557 930	6 163 483	(11 811 640)	-	3 909 773	-	-	-	-	-	3 909 773
	<b>41 176 096</b>	<b>6 163 483</b>	<b>(9 230)</b>	-	<b>47 330 349</b>	<b>(5 000 177)</b>	<b>(2 135 560)</b>	<b>(713 594)</b>	-	<b>(7 849 332)</b>	<b>39 481 018</b>
<b>Infrastructure</b>											
Infrastructure - Roads	43 838 629	-	6 032 359	-	49 870 988	(14 890 814)	(5 690 981)	(2 108 804)	-	(22 690 599)	27 180 389
Assets under construction - Roads	2 446 321	6 042 045	(6 032 359)	-	2 456 007	-	-	-	-	-	2 456 007
	<b>46 284 950</b>	<b>6 042 045</b>	-	-	<b>52 326 995</b>	<b>(14 890 814)</b>	<b>(5 690 981)</b>	<b>(2 108 804)</b>	-	<b>(22 690 599)</b>	<b>29 636 396</b>
<b>Other assets</b>											
Machinery and equipment	1 947 259	19 244	-	-	1 966 503	(1 138 736)	(243 775)	(1 068)	-	(1 383 579)	582 924
Motor vehicles	1 408 871	1 000	-	-	1 409 871	(855 219)	(106 011)	-	-	(961 230)	448 641
Furniture and equipment	1 503 672	431 161	9 230	-	1 944 063	(793 264)	(216 719)	(938)	-	(1 010 921)	933 141
Computer equipment	822 041	84 800	-	-	906 841	(401 140)	(124 261)	-	-	(525 401)	381 440
	<b>5 681 843</b>	<b>536 205</b>	<b>9 230</b>	-	<b>6 227 278</b>	<b>(3 188 359)</b>	<b>(690 766)</b>	<b>(2 006)</b>	-	<b>(3 881 131)</b>	<b>2 346 147</b>
	<b>93 142 889</b>	<b>2 741 733</b>	<b>0</b>	-	<b>105 884 622</b>	<b>(23 079 350)</b>	<b>(8 517 307)</b>	<b>(2 824 404)</b>	-	<b>(34 421 061)</b>	<b>71 463 561</b>
<b>Intangible assets</b>											
Software	524 016	-	-	-	524 016	(343 665)	(60 076)	-	-	(403 741)	120 275
<b>Total assets</b>	<b>93 666 905</b>	<b>2 741 733</b>	<b>0</b>	-	<b>106 408 638</b>	<b>(23 423 015)</b>	<b>(8 577 383)</b>	<b>(2 824 404)</b>	-	<b>(34 824 802)</b>	<b>71 583 836</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Appendix B: Analysis of Property, plant and equipment

30 June 2012	Cost / Revaluation						Accumulated depreciation					Carrying Value
	Opening Balance	Prior year adjustment	Additions	Newly identified assets at fair value	Transfers	Closing Balance	Opening Balance	Depreciation	Impairment	Disposals	Closing Balance	
<b>Land</b>												
Developed land	-	-	-	-	-	-	-	-	-	-	-	-
<b>Buildings</b>												
Buildings	29 513 727	(6 017 797)	-	-	8 122 236	31 618 166	(3 422 840)	(1 570 131)	(7 206)	-	(5 000 177)	26 617 989
Assets under construction - Buildings	-	6 142 862	1 587 997	-	(8 172 929)	9 557 930	-	-	-	-	-	9 557 930
	<b>29 513 727</b>	<b>125 065</b>	<b>1 587 997</b>	<b>-</b>	<b>(50 693)</b>	<b>41 176 096</b>	<b>(3 422 840)</b>	<b>(1 570 131)</b>	<b>(7 206)</b>	<b>-</b>	<b>(5 000 177)</b>	<b>36 175 919</b>
<b>Infrastructure</b>												
Infrastructure - Roads	25 645 430	17 795 804	-	-	397 395	43 838 629	(9 460 766)	(4 889 288)	(540 760)	-	(14 890 814)	28 947 815
Assets under construction - Roads	-	122 670	2 679 959	-	(356 308)	2 446 321	-	-	-	-	-	2 446 321
	<b>25 645 430</b>	<b>17 918 474</b>	<b>2 679 959</b>	<b>-</b>	<b>41 087</b>	<b>46 284 950</b>	<b>(9 460 766)</b>	<b>(4 889 288)</b>	<b>(540 760)</b>	<b>-</b>	<b>(14 890 814)</b>	<b>31 394 136</b>
<b>Heritage assets</b>	48 000	(48 000)	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>												
Machinery and equipment	1 957 667	(27 666)	270	7 382	9 606	1 947 259	(926 365)	(209 514)	(2 857)	-	(1 138 736)	808 523
Motor vehicles	1 408 871	-	-	-	-	1 408 871	(728 571)	(126 648)	-	-	(855 219)	553 652
Furniture and equipment	1 297 028	96 509	99 654	10 481	-	1 503 672	(564 362)	(226 271)	(2 631)	-	(793 264)	710 408
Computer equipment	726 037	-	80 545	15 459	-	822 041	(255 783)	(132 463)	(12 894)	-	(401 140)	420 901
	<b>5 389 603</b>	<b>68 843</b>	<b>180 469</b>	<b>33 322</b>	<b>9 606</b>	<b>5 681 843</b>	<b>(2 475 081)</b>	<b>(694 896)</b>	<b>(18 382)</b>	<b>-</b>	<b>(3 188 359)</b>	<b>2 493 484</b>
	<b>60 596 760</b>	<b>18 064 382</b>	<b>4 448 425</b>	<b>33 322</b>	<b>-</b>	<b>93 142 889</b>	<b>(15 358 687)</b>	<b>(7 154 315)</b>	<b>(566 348)</b>	<b>-</b>	<b>(23 079 350)</b>	<b>70 063 539</b>
<b>Intangible assets</b>												
Software	524 016	-	-	-	-	524 016	(283 589)	(60 076)	-	-	(343 665)	180 351
<b>Total assets</b>	<b>61 120 776</b>	<b>18 064 382</b>	<b>4 448 425</b>	<b>33 322</b>	<b>-</b>	<b>93 666 905</b>	<b>(15 642 276)</b>	<b>(7 214 391)</b>	<b>(566 348)</b>	<b>-</b>	<b>(23 423 015)</b>	<b>70 243 890</b>

## Ezinqoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Appendix C: Segmental Analysis of Property, plant and equipment

Description	Cost / Revaluation					Accumulated depreciation					Carrying Value
	Opening Balance	Additions	Under Construct-ion	Transfers	Closing Balance	Opening Balance	Depreciation	Disposals	Reassess-ment	Closing Balance	
Executive & Council	516 659	148 114	-	4 800	669 573	238 349	76 391	-	-	314 740	354 833
Financial Services	5 035 008	36 839	212 395	273 462	5 557 705	500 906	85 089	-	-	585 995	4 971 709
Corporate Services	35 315 591	345 982	135 028	11 533 748	47 330 350	7 037 909	4 777 991	-	-	11 815 899	35 514 451
Technical Services	43 833 357	5 272	2 456 006	6 032 360	52 326 995	15 302 533	6 427 568	-	2 480	21 732 581	30 594 414
	<b>84 700 615</b>	<b>536 206</b>	<b>2 803 430</b>	<b>17 844 370</b>	<b>105 884 622</b>	<b>23 079 697</b>	<b>11 367 039</b>	<b>-</b>	<b>2 480</b>	<b>34 449 215</b>	<b>71 435 407</b>

## Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Appendix D: Segmental Statement of Financial Performance

	2013			2012		
	Actual Revenue	Actual Expenditure	Surplus / (Deficit)	Actual Revenue	Actual Expenditure	Surplus / (Deficit)
Executive & Council	1 714 173	4 677 165	(2 962 992)	317 526	1 736 006	(1 418 480)
Financial Services	26 600 780	7 802 628	18 798 152	4 816 873	5 356 302	(539 429)
Corporate Services	50 828	9 733 591	(9 682 763)	18 178 740	10 587 148	7 591 592
Technical Services	16 464 946	2 988 768	13 476 178	11 731 812	8 098 949	3 632 863
	<b>44 830 727</b>	<b>25 202 152</b>	<b>19 628 575</b>	<b>35 044 951</b>	<b>25 778 405</b>	<b>9 266 546</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Actual versus Budget

Description	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Final Budget	Explanation of significant Variance greater than 10% versus Final Budget
<b>Financial Performance</b>									
Property rates	799 000	-	799 000	768 519	30 481	30 481	96.19 %	96.19 %	
Rental of Facilities	19 000	-	19 000	4 774	14 226	14 226	25.13 %	25.13 %	
Investment revenue	864 000	-	864 000	1 019 807	-	(155 807)	118.03 %	118.03 %	
Transfers recognised - operational	28 882 000	-	28 882 000	45 626 463	-	(16 744 463)	157.98 %	157.98 %	
Other own revenue	340 000	-	340 000	498 763	-	(158 763)	146.70 %	146.70 %	
<b>Total Revenue (excluding capital transfers &amp; contributions)</b>	<b>30 904 000</b>	<b>-</b>	<b>30 904 000</b>	<b>47 918 326</b>	<b>44 707</b>	<b>(17 014 326)</b>	<b>155.06 %</b>	<b>155.06 %</b>	
Employee costs	11 757 000	(289 000)	11 468 000	10 200 792	-	1 267 208	88.95 %	86.76 %	
Remuneration of councillors	2 634 000	172 000	2 806 000	2 813 602	7 602	(7 602)	100.27 %	106.82 %	
Debt impairment	-	-	-	-	-	-	- %	- %	
Depreciation & asset impairment	2 590 000	819 000	3 409 000	11 341 711	7 932 711	(7 932 711)	332.70 %	437.90 %	
Finance charges	52 000	-	52 000	14 910	-	37 090	28.67 %	28.67 %	
Contracted Services	425 000	-	425 000	384 082	-	40 918	90.37 %	90.37 %	
Transfers and Grants	59 000	-	59 000	58 240	-	760	98.71 %	98.71 %	
Other Expenditure	12 216 000	(93 000)	12 123 000	11 250 281	-	872 719	92.80 %	92.09 %	
<b>Total Expenditure</b>	<b>29 733 000</b>	<b>(1 056 000)</b>	<b>30 342 000</b>	<b>36 063 618</b>	<b>7 940 313</b>	<b>(5 721 618)</b>	<b>118.86 %</b>	<b>121.29 %</b>	
Surplus/(Deficit)	1 171 000	1 056 000	562 000	11 854 708	-	(11 292 708)	2 109.38 %	1 012.36 %	
Transfers recognised - capital	14 546 000	(525 000)	14 021 000	-	-	-	- %	- %	
<b>Surplus/ (Deficit) after capital transfers &amp; contributions</b>	<b>15 717 000</b>	<b>531 000</b>	<b>14 583 000</b>	<b>11 854 708</b>	<b>-</b>	<b>(11 292 708)</b>	<b>81.29 %</b>	<b>75.43 %</b>	
<b>Capital expenditure &amp; funds sources</b>									
Transfers recognised - capital	15 707 000	(525 000)	14 620 000	14 598 853	-	21 147	99.86 %	92.94 %	
Transfers recognised - capital (from Equitable Share)	-	-	562 000	400 799	-	161 201	71.32 %	- %	
Internally generated funds	-	-	700 000	-	-	700 000	- %	- %	
<b>Total sources of capital funds</b>	<b>15 707 000</b>	<b>(525 000)</b>	<b>15 882 000</b>	<b>14 999 652</b>	<b>-</b>	<b>882 348</b>	<b>94.44 %</b>	<b>95.50 %</b>	<b>0</b>

# Ezingoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

## Appendix F: Grants and Subsidies received

Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

Name of Grant	Quarterly Receipts				Total Receipts
	Jul to Sep	Oct to Dec	Jan to Mar	Apr to Jun	
Municipal Systems Improvement Grant (MSIG)	800 000	-	-	-	800 000
Municipal Infrastructure Grant	5 913 000	5 018 000	2 565 000	-	13 496 000
Financial Management Grant	1 500 000	-	-	-	1 500 000
Provincialisation of Libraries Grant	245 000	-	-	-	245 000
Library Grant - Cyber Cadet	-	-	100 800	-	100 800
Small Town Rehabilitation Grant	-	-	-	-	-
LED Strategy Grant	-	-	-	-	-
Integrated National Electrification Programme	-	-	-	-	-
National Lottery Grant	-	-	-	-	-
Infrastructure Grant	525 000	-	-	-	525 000
Integrated Development Plan Grant	-	200 000	-	30 000	230 000
	<b>8 983 000</b>	<b>5 218 000</b>	<b>2 665 800</b>	<b>30 000</b>	<b>16 896 800</b>

Name of Grant	Quarterly Expenditure				Total Expenditure
	Jul to Sep	Oct to Dec	Jan to Mar	Apr to Jun	
Municipal Systems Improvement Grant (MSIG)	446 367	449 629	220 588	122 223	1 238 807
Municipal Infrastructure Grant	2 559 286	5 063 032	1 893 931	5 031 304	14 547 553
Financial Management Grant	309 110	510 901	402 674	421 418	1 644 102
Provincialisation of Libraries Grant	-	92 651	61 690	82 875	237 216
Library Grant - Cyber Cadet	24 006	23 621	24 002	24 005	95 634
Small Town Rehabilitation Grant	8 946	-	-	-	8 946
LED Strategy Grant	-	-	-	-	-
Integrated National Electrification Programme	100 000	233 843	106 942	1 275 520	1 716 305
National Lottery Grant	-	-	-	-	-
Infrastructure Grant	-	-	-	-	-
Integrated Development Plan Grant	-	-	14 298	214 739	229 037
	<b>3 447 714</b>	<b>6 373 677</b>	<b>2 724 125</b>	<b>7 172 083</b>	<b>19 717 600</b>

## Ezinqoleni Municipality

Annual Financial Statements for the year ended 30 June 2013

### Grants and Subsidies received

Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

Name of Grant	Name of organ of state or municipal entity	Unspent portion 2011/2012 financial statements	Total Receipts	Total Expenditure	Unspent portion 2012/2013 financial statements	Grants and Subsidies delayed / withheld	Reason for delay or withholding of funds	Complied with grant conditions?	Reason for non-compliance
Municipal Systems Improvement Grant (MSIG)	Trade and Local Govt Affairs	274 391	800 000	1 238 807	(164 416)	No	N/A	Yes	N/A
Municipal Infrastructure Grant	Trade and Local Govt Affairs	701 496	13 496 000	14 547 553	(350 057)	No	N/A	Yes	N/A
Financial Management Grant	National Treasury	150 682	1 500 000	1 644 102	6 580	No	N/A	Yes	N/A
Provincialisation of Libraries Grant	Trade and Local Govt Affairs	(3 251)	245 000	237 216	4 533	No	N/A	Yes	N/A
Library Grant - Cyber Cadet	KZN Dept of Art and Culture	72 500	100 800	95 634	77 666	No	N/A	Yes	N/A
Small Town Rehabilitation Grant	COGTA	449 828	-	8 946	440 882	No	N/A	Yes	N/A
LED Strategy Grant	KZN Dept of Art and Culture	104 722	-	-	104 722	No	N/A	Yes	N/A
Integrated National Electrification Programme	Dept of Mineral & Energy	1 716 305	-	1 716 305	-	No	N/A	Yes	N/A
National Lottery Grant	National Lottery	1 025 745	-	-	1 025 745	No	N/A	Yes	N/A
Infrastructure Grant	Dept of Sport and Recreation	-	525 000	-	525 000	No	N/A	Yes	N/A
Integrated Development Plan Grant	COGTA	-	230 000	229 037	963	No	N/A	Yes	N/A
		<b>4 492 418</b>	<b>16 896 800</b>	<b>19 717 600</b>	<b>1 671 618</b>				